

AR43





## The Cover

The theme of this Annual Report is the utilization and processing by Domtar of natural resources from the raw form into commercial products. The raw materials are mainly wood, water, salt, coal-tar, limestone, clay and gypsum.

None of these natural resources could be converted into useful commodities without human skill. Human skills are the scarcest resource of all. And with the increasing complexities of modern technology and social organization, education and training are more important than ever before.

The cover portrays a boy in his formative years, a raw material to be converted through education and experience into an adult who can play a useful role in his society. He is surrounded by the symbols of his education : mathematics, science and the arts and humanities, the elements that go towards making the whole man. He represents the arts and skills of coming generations.

For Domtar he also portrays the Company's concern for the preparation and training of those young people who will be the future members of the Domtar family. In a sense he is also a symbol of Domtar itself, a young and growing company constantly learning and applying new skills and planning for the future in a continuously changing environment.

MAR - 9 1967

**DOMTAR****Financial Report**

Highlights	1966	1965
Sales . . . . .	\$430,058,659	\$406,832,923
Income Taxes – Current . . . . .	\$ 2,800,000	\$ 3,459,000
Income Taxes – Deferred . . . . .	\$ 5,851,966	\$ 11,561,011
Net Income . . . . .	\$ 24,168,720	\$ 26,646,040
Common Shares Outstanding . . . . .	14,700,700	14,621,715
Earnings per Common Share . . . . .	\$ 1.62	\$ 1.80
Dividends per Common Share . . . . .	\$ 1.00	\$ .90
Working Capital . . . . .	\$ 79,859,301	\$117,548,510
Cash Flow – Total . . . . .	\$ 52,728,686	\$ 59,457,051
Cash Flow – Per Common Share . . . . .	\$ 3.57	\$ 4.05
Expenditures on Plant . . . . .	\$ 61,147,538	\$ 66,504,181
Book Value per Common Share . . . . .	\$ 16.13	\$ 15.51
Number of Preference Shareholders . . . . .	1,487	1,508
Number of Common Shareholders . . . . .	45,290	40,874
Number of Employees – exclusive of woods workers . . . . .	18,345	18,130
Wages and Salaries . . . . .	\$108,670,504	\$ 99,903,903



# Directors and Officers

## Directors

- \*T. N. Beaupré, Montreal
- George W. Bourke, Montreal
- C. Gordon Cockshutt, Brantford
- Ralph W. Cooper, Hamilton
- \*H. Roy Crabtree, Montreal
- Shirley G. Dixon, Q.C., Montreal
- George H. Dobbie, Galt
- Raymond Dupuis, Q.C., Montreal
- J. E. L. Duquet, Q.C., Montreal
- Hon. Geo. B. Foster, Q.C., Montreal
- P. M. Fox, Montreal
- C. L. Gundy, Toronto
- Roger T. Hager, Vancouver
- R. D. Harkness, D.S.O., M.C., Kingston
- J. G. Kirkpatrick, Q.C., Montreal
- Roger Létourneau, Q.C., LL.D., Quebec
- \*A. B. Matthews, C.B.E., D.S.O., Toronto
- \*John A. McDougald, Toronto
- \*Maxwell C. G. Meighen, O.B.E., Toronto
- Nathan Pitcairn, Jenkintown, Pa.
- \*Arthur Ross, New York
- \*J. N. Swinden, Toronto
- \*E. P. Taylor, C.M.G., Bahama Islands
- J. T. Timmins, Montreal
- \*Colin W. Webster, Montreal

\*Members of the Executive Committee

## Officers

- T. N. Beaupré, Chairman of the Board and President
- R. M. Collins, Senior Vice-President
- H. E. Mason, Senior Vice-President
- W. R. Spence, Senior Vice-President
- E. A. Thompson, Senior Vice-President
- W. E. Adkins, Vice-President - Engineering
- P. Delagrave, Vice-President - Employee and Public Relations
- C. M. Fellows, Vice-President
- R. E. Kirbyson, Vice-President
- W. R. Lawson, Vice-President - Purchasing and Traffic
- R. J. Moyse, Vice-President - Finance
- W. H. Palm, Vice-President
- S. A. Kerr, C.A., F.C.I.S., Secretary and Treasurer
- W. J. Strain, Comptroller
- E. G. Aust, C.A., Assistant Treasurer
- J. H. Smith, C.A., Assistant Comptroller

## Head Office

2240 Sun Life Building, Montreal 2, Que.

## Transfer Agents

for preference and common shares :  
Montreal Trust Company – Halifax, N.S. ;  
Saint John, N.B. ; Montreal, Que. ; Toronto, Ont. ;  
Winnipeg, Man. ; Vancouver, B.C.

for common shares only :  
The Bank of New York – New York, N.Y.

## Registrars

for preference and common shares :  
The Royal Trust Company – Halifax, N.S. ; Saint John, N.B. ;  
Montreal, Que. ; Toronto, Ont. ; Winnipeg, Man. ;  
Vancouver, B.C.

for common shares only :  
The Bank of New York – New York, N.Y.

Les actionnaires qui préféreraient recevoir leur rapport en français  
n'ont qu'à aviser le Secrétaire de Domtar Limited.



# Report of the Directors to the Shareholders

The consolidated financial statements of Domtar Limited and its subsidiaries for the year ended December 31st, 1966 together with the report of the Auditors are submitted on behalf of your Board of Directors.

## Net Income

The net income for the year was \$24.2 million after all charges including deferred taxes and the share of profits of subsidiary companies attributable to minority shareholders. In 1965 net income amounted to \$26.6 million. Earnings per common share after providing for preference dividends amounted to \$1.62 per share on the 14,700,700 shares outstanding at the end of 1966 compared with \$1.80 for 1965 on 14,621,715 common shares then outstanding.

## Cash Flow

In 1966 the cash flow, consisting of net income, depreciation and depletion and deferred income taxes, was \$52.7 million compared with \$59.5 million in 1965. The cash flow per common share amounted to \$3.57 as against \$4.05 per share for the previous year.

## Dividends

In 1966 the annual dividend on the common shares was raised from 90c per share to \$1.00 per share. The cash required for the common dividend payment was thus increased from \$13.2 million in 1965 to \$14.6 million in 1966. The Company has received a letter from the Department of National Revenue stating that all the District Taxation Offices of the Department will be notified that both the common and preference dividends declared by the Company in 1966 will be entitled to a 10% depletion allowance. The regular dividend of \$1.00 per share was paid on the Company's preference shares.

## Sales

Consolidated sales for the year rose from the previous record high of \$406.8 million in 1965 to \$430.1 million in 1966, an increase of 5.7%. The following table gives a brief analysis of sales by the three major product groups for 1966 and 1965.

	1966		1965	
	thousands	%	thousands	%
Pulp and Paper	\$ 272,307	63.3	\$ 255,283	62.7
Chemicals	73,701	17.1	70,739	17.4
Construction Materials	84,051	19.6	80,811	19.9
	\$ 430,059	100.0	\$ 406,833	100.0

## Operating Profit

Despite the increase in sales, operating profit for 1966 amounted to \$63.3 million, a decline of \$6.5 million compared with the previous year. The annual average of operating profit to sales was 14.7% for 1966 as against 17.2% for 1965.

Costs were adversely affected by the start-up of major capital projects at Cornwall and Red Rock in Ontario and at Windsor in Quebec. Additional expenses were incurred in the closing down of obsolete plants at Hanna Avenue in Toronto and at Portneuf in Quebec.

Wage and salary costs including fringe benefits were significantly higher than in 1965. Relatively modest price increases took place in some of the Company's products but in many cases such as certain paper and board items the increases occurred late in the year and the full effect will not be felt until 1967.

## Charges against Income

The provisions for current and deferred income taxes totalled \$8.7 million compared with \$15.0 million in 1965. The reduction was largely the result of lower profits and an increase in the proportion of tax exempt income.

Depreciation and depletion of \$22.7 million, an increase of \$1.5 million over 1965, includes \$708 thousand of amortisation of pre-production expense.

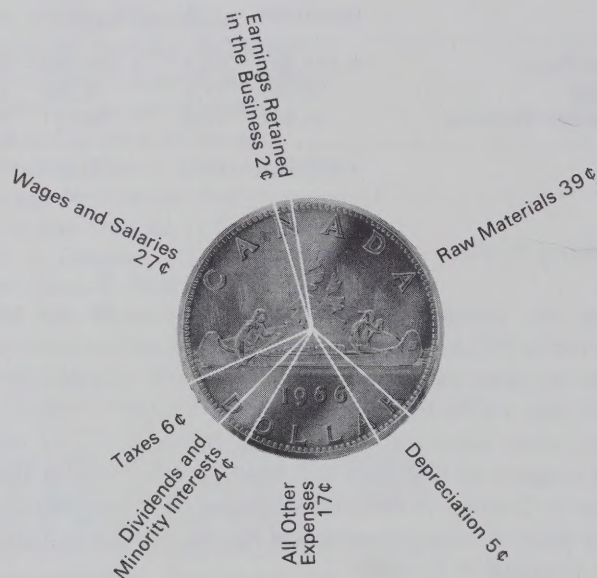
Interest on indebtedness was \$636 thousand higher in 1966 than in the previous year due in part to bank borrowings.

## Investments and Advances

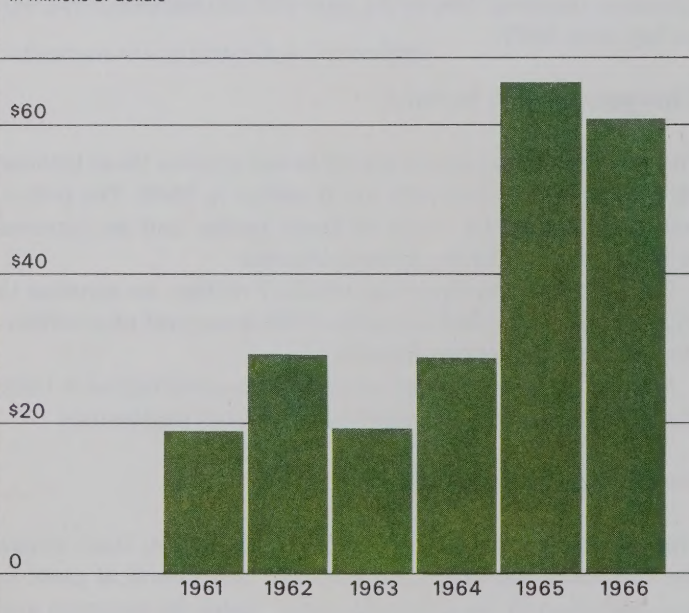
The advance to the town of Lebel-sur-Quévillon, Que., where the Company has erected a pulp mill and chemical plant is now classified in the accounts under "Other investments and



Distribution of Domtar's Sales Dollar for 1966



Expenditures on New Plant and Equipment  
in millions of dollars



advances". This advance, amounting to \$2.8 million (\$1.9 million at December 31, 1965), has been temporarily loaned to the town to finance the installation of municipal services.

### Capital Stock

During the year 78,985 common shares of the Company were issued to the Trustees under the employee share purchase plan with the result that the stated value of the common shares outstanding increased by \$1.2 million.

### Working Capital

Net working capital at the end of the year amounted to \$79.9 million, a decline of \$37.7 million from the total at the end of 1965. During the course of the year the Company borrowed funds from its bankers to assist in the financing of the major expansion program undertaken in 1964 and consequently net working capital declined.

### Plant and Equipment

Expenditures on new plant and equipment amounted to \$61.1 million compared with \$66.5 million in 1965. At the end of 1966 gross fixed assets aggregated \$582.6 million including \$76.3 million of construction work in progress. The major expansion program that began in 1964 is now almost finished. The construction of the pulp mill and chemical plant at Lebel-sur-Quévillon was virtually complete at the end of the year and the facilities had entered the start-up phase.

During the year the Packaging Division embarked on an expansion program, the first phase of which is estimated to cost \$4 million. A new sheet plant was erected at Quebec City and during the summer it began the manufacture of a limited range of products. By the spring of 1967 it will be developed into a complete corrugating plant.

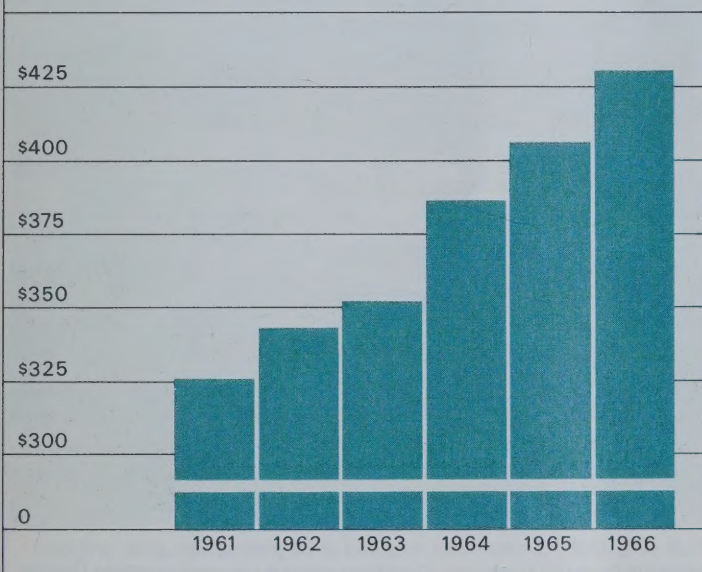
The capacity of the "Haydite" lightweight aggregate plant at Cooksville, Ont., is being almost doubled at a cost of about \$700,000 with the installation of a rotary kiln and supporting facilities. The new kiln is expected to be in production towards the end of 1967.

The research centre at Senneville, Que., is now being enlarged at a cost of \$610,000 to provide facilities for a metal

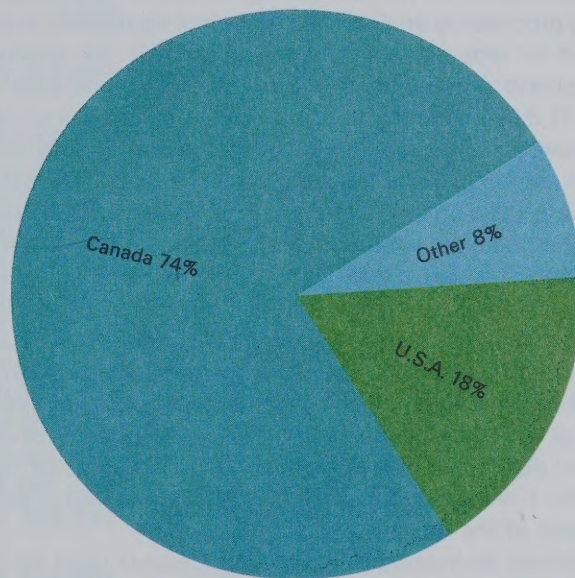


### Net Sales

in millions of dollars



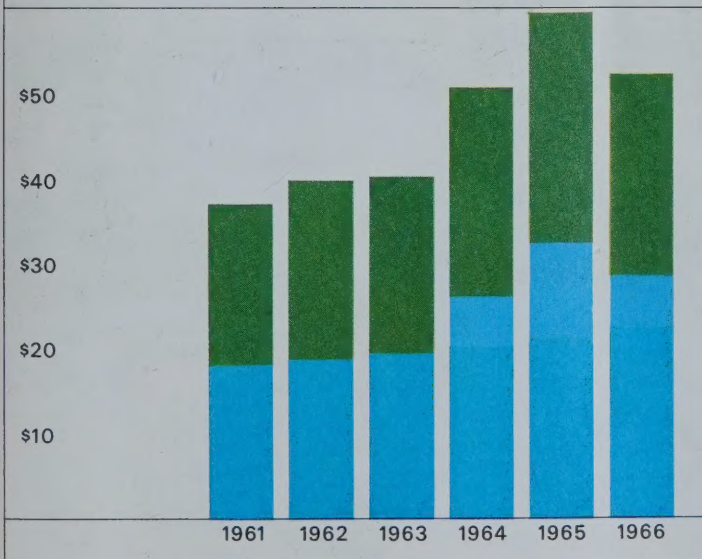
### 1966 Distribution of Sales by Markets



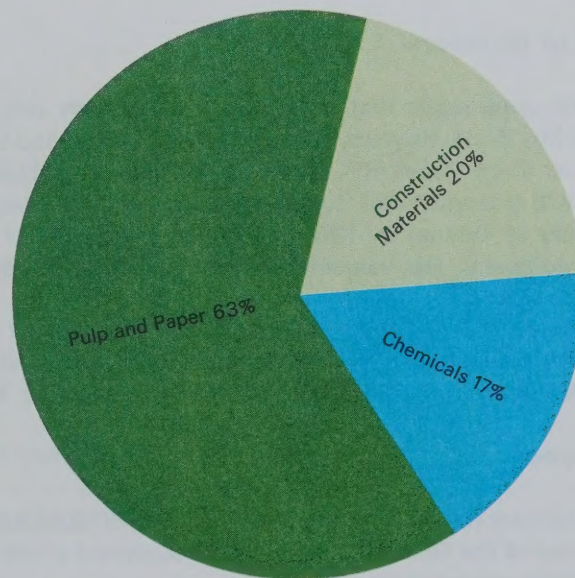
### Cash Flow

in millions of dollars

- Net Income
- Depreciation and Depletion
- Deferred Income Taxes



### 1966 Sales by Product Group





powders pilot plant and an acoustics laboratory for construction materials.

The renovation of the two newsprint machines at Dolbeau, Que., is proceeding on schedule. Obsolete equipment is being replaced in order to improve the quality of the newsprint and increase productive efficiency. The project is estimated to cost \$1.6 million and is to be completed by the end of 1967.

Equipment for the high consistency refining of pulp, which is a new development in the mechanical treatment of chemical wood pulp, is being installed in the Trois-Rivières, Que., newsprint mill at a cost of \$750,000. This procedure will result in the production of a higher yield pulp and at the same time give to the paper higher tearing strength and stretch properties, both of which are desirable in newsprint. It is expected that production from this installation will start by the middle of 1967.

Progress in the construction of the metal powders plant at Ridgway, Pa., has been delayed mainly as a result of jurisdictional disputes between unions and a shortage of labor generally. It is expected that the plant will come into operation at the end of the first quarter of 1967.

Equipment to manufacture plastic packages used for food products was installed at Moorestown, N.J. and the plant is now in operation.

## Board of Directors

It is with great regret that we record the death on July 14, 1966 of Mr. W. H. Howard, C.B.E., Q.C. Mr. Howard had been a member of the Board of Howard Smith Paper Mills, Limited since 1930 and when that Company became a wholly-owned subsidiary of Domtar in 1961, he joined the Board of the parent company. His valuable support and advice will be greatly missed.

Mr. W. N. Hall tendered his resignation as President and Director in December, 1966 and was replaced as President by Mr. T. N. Beaupré, the Chairman of the Board.

## Employees

Your Directors would like to express their appreciation to the employees of the Domtar group for their sustained effort and enthusiastic service during the year.

On behalf of the Board

T. N. Beaupré, Chairman and President

Montreal, Quebec, March 3, 1967



Kraft pulp and the chemicals required in its production soon will be available from the Lebel-sur-Quévillon complex in northwestern Quebec.

The new laboratory of Chemical Developments of Canada Limited where testing and research is conducted on detergents and dyestuffs.





**Consolidated Statement of Net Income**

for the year ended December 31, 1966	1966	1965
Sales . . . . .	\$430,058,659	\$406,832,923
Cost of sales including selling, general and administrative expenses . . . . .	366,749,060	336,985,379
Operating profit . . . . .	63,309,599	69,847,544
Investment and sundry income. . . . .	2,006,015	2,460,820
	65,315,614	72,308,364
Interest on indebtedness (including \$7,946,524 of interest on funded debt) . . . . .	8,322,557	7,686,479
Depreciation and depletion - Note 8 . . . . .	22,708,000	21,250,000
Provision for current income taxes - Note 1 . . . . .	2,800,000	3,459,000
Provision for deferred income taxes - Note 1 . . . . .	5,851,966	11,561,011
Provision for minority interests . . . . .	1,464,371	1,705,834
	41,146,894	45,662,324
Net income for the year - Note 1 . . . . .	\$ 24,168,720	\$ 26,646,040

**Consolidated Statement of Earned Surplus**

for the year ended December 31, 1966	1966	1965
Earned surplus - balance at beginning of year . . . . .	\$ 85,367,114	\$ 73,405,618
Net income for the year . . . . .	24,168,720	26,646,040
	109,535,834	100,051,658
Discount on issue of debentures . . . . .	—	1,225,000
Dividends on preference shares . . . . .	300,000	300,000
Dividends on common shares . . . . .	14,641,461	13,159,544
	14,941,461	14,684,544
Earned surplus - balance at end of year . . . . .	\$ 94,594,373	\$ 85,367,114



# Consolidated Balance Sheet as at December 31, 1966

## Assets

	1966	1965
<i>Current assets:</i>		
Cash and short-term investments . . . . .	\$ 3,454,024	\$ 22,089,251
Receivables. . . . .	69,011,421	66,342,811
Inventories of finished products, work in process, raw materials and supplies, at lower of cost and net realizable value . . . . .	55,116,165	50,258,174
Pulpwood, at cost, and advances on woods operations. .	31,624,630	25,395,508
Prepaid expenses . . . . .	1,302,000	1,172,845
	<u>160,508,240</u>	<u>165,258,589</u>
<i>Investments and advances, at cost:</i>		
Listed securities (quoted value - \$9,165,000) . . . . .	13,319,969	13,324,087
Other investments and advances - Note 3 . . . . .	13,754,062	11,391,610
	<u>27,074,031</u>	<u>24,715,697</u>
<i>Fixed assets - Note 7:</i>		
Land and water power rights . . . . .	6,886,240	6,934,912
Plant, machinery, facilities and timber limits . . . . .	575,675,341	520,227,722
	<u>582,561,581</u>	<u>527,162,634</u>
Less: Accumulated depreciation and depletion (including \$5,802,453 for depletion) . . . . .	263,740,938	246,781,529
	<u>318,820,643</u>	<u>280,381,105</u>
Approved by the Board:		
T. N. Beaupré, Director	<u>\$506,402,914</u>	<u>\$470,355,391</u>
Colin W. Webster, Director		



<b>Liabilities</b>	<b>1966</b>	<b>1965</b>
<i>Current liabilities:</i>		
Bank indebtedness . . . . .	\$ 20,365,921	\$ —
Payables . . . . .	45,721,209	39,958,260
Income and other taxes - Notes 1 and 2 . . . . .	7,177,395	1,250,434
Dividends payable . . . . .	4,024,414	3,650,385
Funded debt due within one year . . . . .	3,360,000	2,851,000
	<u>80,648,939</u>	<u>47,710,079</u>
<i>Funded debt - Note 4 . . . . .</i>	<i>137,175,000</i>	<i>143,993,000</i>
<i>Deferred income taxes - Note 1 . . . . .</i>	<i>18,363,758</i>	<i>17,439,792</i>
<i>Minority interests:</i>		
Preferred shares of subsidiary companies - Note 5 . . .	20,820,500	21,220,500
Common share equity of subsidiary companies . . . . .	5,294,599	6,118,698
	<u>26,115,099</u>	<u>27,339,198</u>
<i>Capital:</i>		
Capital stock -		
\$1 Cumulative redeemable preference shares, par value \$23.50, redeemable at \$25 -		
Authorized and issued - 300,000 shares . . . . .	7,050,000	7,050,000
Common shares without nominal or par value -		
Authorized - 20,000,000 shares		
Outstanding - 14,700,700 shares (after issue of 78,985 shares for cash in 1966) . . . . .	131,042,318	129,816,470
Surplus resulting from restatement of certain fixed assets - Note 6 . . . . .	11,413,427	11,639,738
Earned surplus, per statement attached . . . . .	94,594,373	85,367,114
	<u>244,100,118</u>	<u>233,873,322</u>
	<u>\$506,402,914</u>	<u>\$470,355,391</u>

#### **Auditors' Report to the Shareholders:**

We have examined the consolidated balance sheet of Domtar Limited and subsidiary companies as at December 31, 1966 and the consolidated statements of net income and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of net income and earned surplus present fairly the combined financial position of Domtar Limited and subsidiary companies as at December 31, 1966 and the results of their combined operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, January 25, 1967

**Price Waterhouse & Co.**  
Chartered Accountants.



# Notes to the Financial Statements, December 31, 1966

## Note 1 — Income Taxes:

The companies have claimed annually, for income tax purposes, capital cost allowances exceeding depreciation provided in the accounts. The effect of this practice on the consolidated accounts is outlined below:

(1) The companies have disclosed in a note to the consolidated annual accounts the amounts by which income taxes payable have been reduced as a result of claiming normal capital cost allowances which exceed depreciation provided in the accounts. These tax reductions amounted to approximately \$6,460,000 for 1966 (\$4,950,000 for 1965) and aggregated approximately \$31,800,000 at December 31, 1966.

(2) The companies have provided as deferred income taxes the amounts by which income taxes payable have been further reduced as a result of claiming accelerated capital cost allowances (as permitted under tax incentive legislation of the Federal and Provincial governments) which exceed normal capital cost allowances. These amounts are included in the consolidated balance sheet caption "Deferred income taxes".

Deferred income taxes have also been provided on the amounts by which income taxes otherwise payable have been reduced as a result of claiming preproduction expenses for income tax purposes in the year incurred but amortizing such expenses over five years in the consolidated accounts.

During 1966 the companies reclassified, for capital cost allowance purposes, certain fixed asset additions of 1964 and 1965 which resulted in a transfer of \$4,928,000 from Deferred income taxes to Income and other taxes. The reclassification had no effect on consolidated net income.

## Note 2 — Income Tax Assessments:

The company and certain subsidiaries have filed Notices of Objection in respect of income tax assessments received in 1964 for the years 1962 and 1963. The items in dispute (involving \$3,100,000 plus interest) arise out of the disallowance by the tax authorities of capital cost allowances claimed following the sale of certain assets.

In the opinion of Tax Counsel, the companies' arguments should be successful.

## Note 3 — Other Investments and Advances:

The amount shown includes \$1,917,143 of secured loans to the Trustees for employees under the company's stock purchase plan.

## Note 4 — Funded Debt:

### Domtar Limited —

3½% First mortgage sinking fund bonds, Series "B", maturing August 1, 1970 . . . . .	\$ 1,200,000
5¼% Sinking fund debentures, Series "A", due June 1, 1978 . . . . .	20,000,000
6¼% Sinking fund debentures, Series "B", due May 1, 1980 . . . . .	11,625,000
5% Debentures, Series "C", due serially April 1, 1967 to 1969 . . . . .	2,250,000
5½% Debentures, Series "C", due April 1, 1982 . . . . .	15,350,000
5¼% Debentures, Series "D", due serially April 1, 1967 to 1970 . . . . .	3,200,000
5¾% Debentures, Series "D", due April 1, 1984 . . . . .	16,000,000
5½% Sinking fund debentures, Series "E", due May 1, 1990 . . . . .	35,000,000

	104,625,000
Less: Held for sinking fund . . . . .	1,885,000
	<u>102,740,000</u>

### Howard Smith Paper Mills, Limited —

3% First mortgage bonds, 1950 Series, due December 1, 1967 — 1970 . . . . .	2,400,000
---	-----------

### St. Lawrence Corporation Limited —

First mortgage sinking fund bonds —	
5% Series "A", due April 15, 1972 . . . . .	10,252,000
4¾% Series "B", due April 15, 1972 (payable in U.S. funds) . . . . .	3,728,000
5% Series "C", due May 1, 1978 . . . . .	9,188,000
Sinking fund debentures —	
6¼% Series "A", due June 15, 1980 . . . . .	13,800,000

	36,968,000
Less: Held for sinking fund . . . . .	1,573,000
	<u>35,395,000</u>

Total funded debt outstanding . . . . .	140,535,000
Less: Funded debt due within one year . . . . .	3,360,000
	<u>\$137,175,000</u>

## Note 5 — Minority Interests — Preferred Shares of Subsidiary Companies:

### Howard Smith Paper Mills, Limited —

160,000 \$2 preferred shares of \$50 each, redeemable at \$52½ . . . . .	\$ 8,000,000
--	--------------

### St. Lawrence Corporation Limited —

128,205 5% preferred shares of \$100 each, redeemable at \$103 to May 15, 1968; \$102 to May 15, 1971; and \$101 thereafter . . . . .	12,820,500
---	------------

\$ 20,820,500

## Note 6 — Surplus resulting from restatement of certain fixed assets:

Excess of restated depreciated value over depreciated book value of certain fixed assets (unchanged during year) . . . . .	\$ 15,141,969
Net excess (after net increase of \$226,311 during 1966) of consideration for acquisition of shares of subsidiaries over book value of net assets . . . . .	3,728,542
	<u>\$ 11,413,427</u>

## Note 7 — Fixed Assets:

Land and water power rights are stated at cost. Plant, machinery, facilities and timber limits are stated generally at cost, including in such cost the excess of the cost of the shares of a partially owned subsidiary company over the book value of its net assets.

Fixed assets at December 31, 1966 include \$76.3 million of construction in progress which relates primarily to the Company's new pulp mill and chemical plant at Lebel-sur-Quévillon. This caption also includes the unamortized balance of preproduction expenses incurred to date in connection with the Company's new pulp mill and chemical plant at that location. These preproduction expenses are being amortized over five years, commencing in 1966.

## Note 8 — Depreciation and Depletion:

Depreciation and depletion charged against net income in 1966 included \$151,780 for depletion and \$708,336 for amortization of preproduction expenses.

## Note 9:

Remuneration received by directors, including salaries of officers who are also directors, aggregated \$280,448 in 1966.



# Ten year record

Financial		1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
Sales: Pulp and Paper	(Thousands/\$)	272,307	255,283	240,482	220,273	216,057	207,631	—	—	—	—
Chemicals	"	73,701	70,739	63,909	58,725	55,401	49,601	—	—	—	—
Construction Materials	"	84,051	80,811	81,567	73,659	72,518	68,474	—	—	—	—
Total	"	430,059	406,833	385,958	352,657	343,976	325,706	215,117	219,293	181,377	177,711
Operating Profit	"	63,310	69,847	68,971	57,403	57,944	56,459	34,503	34,965	27,760	27,750
Depreciation and Depletion	"	22,708	21,250	20,500	19,750	19,250	18,500	12,500	12,500	8,150	7,968
Income Taxes											
Current	"	2,800	3,459	11,475	10,503	12,039	13,404	7,605	7,150	8,635	8,830
Deferred	"	5,852	11,561	5,879	—	—	—	—	—	—	—
Net Income	"	24,169	26,646	24,963	20,832	20,717	18,799	10,079	11,231	7,304	6,561
Common Shares Outstanding		14,700,700	14,621,715	14,621,715	14,562,200	14,562,200	14,322,200	6,805,932	6,782,232	5,000,000	5,000,000
Earnings per Common Share		\$1.62	\$1.80	\$1.69	\$1.41	\$1.40	\$1.29	\$1.43	\$1.61	\$1.40	\$1.25
Dividends per Common Share		\$1.00	.90	.80	.80	.80	.80	.60	.60	.50	.50
Working Capital	(Thousands/\$)	79,859	117,549	114,795	91,729	94,490	82,739	49,244	37,721	52,626	43,572
Cash flow											
Total	"	52,729	59,457	51,342	40,582	39,967	37,299	22,579	23,731	15,454	14,529
Per Common Share		\$3.57	\$4.05	\$3.49	\$2.77	\$2.72	\$2.58	\$3.27	\$3.45	\$3.03	\$2.85
Capital Expenditures	(Thousands/\$)	61,148	66,504	28,888	19,926	29,344	19,010	17,309	29,931	12,798	11,791
Fixed Assets — cost	"	582,562	527,163	465,221	439,869	421,406	392,373	259,399	242,090	180,106	164,208
Accumulated Depreciation	"	263,741	246,782	230,094	213,130	194,843	175,904	111,115	100,037	88,793	79,494
Fixed Assets — net	"	318,821	280,381	235,127	226,739	226,563	216,469	148,284	142,053	91,313	84,714
Funded Debt	"	137,175	143,993	115,805	102,160	109,125	94,231	53,043	42,308	43,948	30,969
Book Value per Common Share		\$16.13	\$15.51	\$14.72	\$13.85	\$13.26	\$12.77	\$15.40	\$14.25	\$12.82	\$12.21
Pulp and Paper Production*											
Newsprint	(Tons)	586,976	532,151**	507,115**	487,360**	476,531	477,081	490,194	462,330	456,223	534,665
Kraft Paper and Board	"	378,394	435,705	428,705	406,418	415,298	379,321	378,079	378,184	356,728	354,722
Fine and Specialty Papers	"	207,572	179,529**	170,511**	131,441**	125,116	116,156	111,560	101,580	99,453	93,601
Market Pulp	"	227,717	195,572	182,169	144,134	141,832	152,221	121,416	100,156	116,918	152,886
Total	"	1,400,659	1,342,957	1,288,500	1,169,353	1,158,777	1,124,779	1,101,249	1,042,250	1,029,322	1,135,874

\*Pro-forma 1960 and prior.  
 \*\*Reclassified



# Statement of Source and Application of Funds

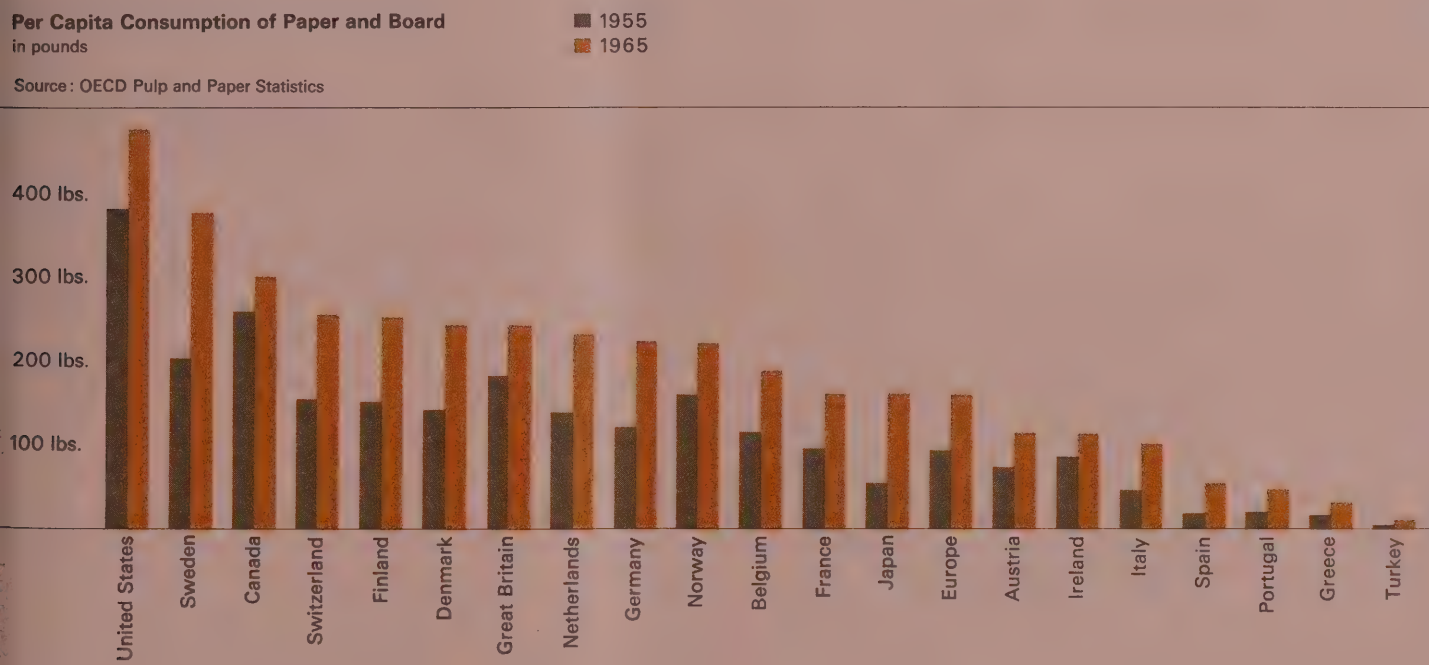
for the five years ended December 31, 1966

in millions of dollars

	1966	1965	1964	1963	1962	Total
Cash and short-term investments at beginning of period	\$ 22.1	\$ 19.7	\$ 2.6	\$ 6.4	\$ 5.4	\$ 5.4
Source of funds:						
Net income . . . . .	24.2	26.6	25.0	20.8	20.7	117.3
Depreciation and depletion . . . . .	22.7	21.2	20.5	19.8	19.3	103.5
Deferred income taxes . . . . .	5.8	11.6	5.9	—	—	23.3
Cash flow . . . . .	52.7	59.4	51.4	40.6	40.0	244.1
Debentures, net of discount . . . . .	—	33.8	19.6	—	19.5	72.9
Common shares issued . . . . .	1.2	—	1.3	—	3.2	5.7
Bank loans . . . . .	20.4	—	—	—	—	20.4
	74.3	93.2	72.3	40.6	62.7	343.1
	\$ 96.4	\$112.9	\$ 74.9	\$ 47.0	\$ 68.1	\$348.5
Application of funds:						
Fixed assets . . . . .	\$ 61.2	\$ 66.5	\$ 28.9	\$ 19.9	\$ 29.3	\$205.8
Dividends on preference shares . . . . .	.3	.3	.3	.3	.3	1.5
Dividends on common shares . . . . .	14.6	13.2	11.7	11.6	11.5	62.6
Investments and advances . . . . .	2.4	2.7	.7	3.9	.1	9.8
Reduction in funded debt . . . . .	6.3	8.4	6.9	4.0	9.6	35.2
Transfer of deferred income taxes to income and other taxes - Note 1 . . . . .	4.9	—	—	—	—	4.9
Reduction in minority interests . . . . .	1.2	.5	.9	.4	3.2	6.2
Increase in working capital* . . . . .	1.8	(1.3)	5.5	4.0	6.2	16.2
Other . . . . .	.2	.5	.3	.3	1.5	2.8
	92.9	90.8	55.2	44.4	61.7	345.0
Cash and short-term investments at end of period . . . . .	3.5	22.1	19.7	2.6	6.4	3.5
	\$ 96.4	\$112.9	\$ 74.9	\$ 47.0	\$ 68.1	\$348.5

\*excluding cash and short-term investments, bank indebtedness and funded debt due within one year.









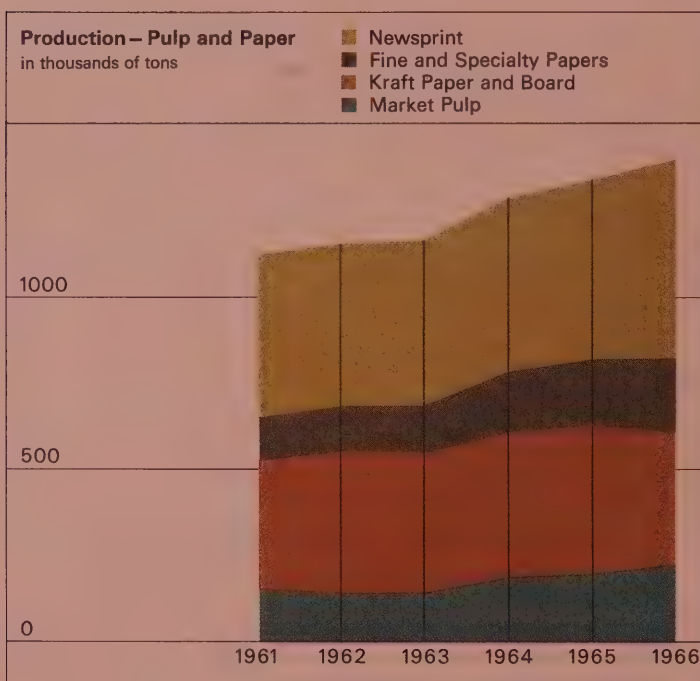
Gains resulting from increased sales and improved productivity were offset by rising costs of materials, labor and transportation, as well as by expenses inherent in plant expansion and modernization.

## Pulp and Paper

Sales increased 6.7% over 1965 with newsprint and kraft mills operating at near capacity, fine papers selling at record levels, but production of linerboard and pulps down due to start-up problems with new or modernized production facilities and to the closing of plants at Hanna Avenue in Toronto and at Portneuf, Que.

Additional sales revenue from moderate price adjustments for newsprint, kraft and fine papers and boxboard which came into effect during the second half of the year were not sufficient to meet the rise in the cost of labor and materials.

Profits were also affected by the running-in expenses and the related disruption of normal production flows associated with the major expansion and modernization programs at the mills at Red Rock and Cornwall in Ontario and at Windsor and East Angus in Quebec.



## Newsprint

All mills generally operated on a seven-day basis at 97.9% of rated capacity, resulting in a record year for sales and production of newsprint and coated papers. Newsprint sales, in tons, were up 8.5% and specialty grades 36% over 1965. Prices of newsprint were increased in the United States and Canada in June.

Labor difficulties in transportation in Canada and the United Kingdom disrupted shipping schedules during the year.

## Containerboard

Production of linerboard and corrugating medium fell slightly below 1965 levels. This was mainly the result of development work at the Red Rock mill on the new prototype "Alkafide" process and the shutdown of the linerboard machine for major improvements.

It was necessary to supplement production with the purchase of linerboard from outside sources to meet the requirements of the Company's converting plants and to maintain



trade commitments. Production is expected to be substantially higher in 1967.

### Fine Paper

The fine paper industry in Canada was buoyant in 1966 with Domtar, the largest producer, increasing its tonnage of paper shipments by 10% over 1965. This was made possible by the start-up in late January of the new "Super Seven" fine paper machine at Cornwall. This increased capacity relieved an otherwise tight production situation in which all existing paper machines were running at capacity.

### Kraft Papers

Kraft paper shipments were higher than in 1965 and steady growth has enabled the company to maintain its position as the largest Canadian producer. Lower profits were primarily attributable to production difficulties associated with the expansion of pulp facilities at Windsor.

### Boxboard

The shutdown of the Hanna Avenue mill in Toronto, producing jute liner and boxboard, took place in 1966. The product mix at the East Angus mill was upgraded into more profitable lines. The installation of new equipment had the temporary effect of reducing shipments.

### Felt

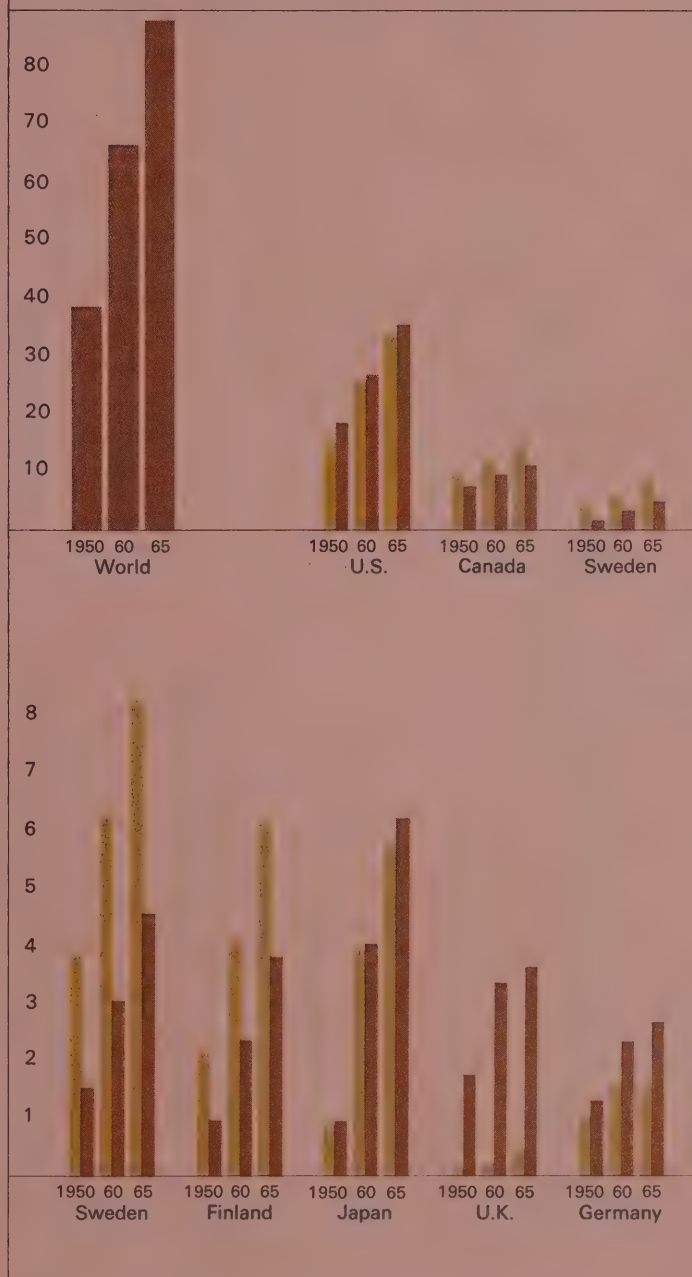
The major end-use for felt is in the manufacture of asphalt shingles. Increased capacity at Thorold, Ont., and the shutdown of the Portneuf mill are expected to improve the net financial results.

### Converted Paper Products and Plastics

Demand for corrugated paperboard products showed exceptional growth but earnings were adversely affected by a costly strike of two months' duration at the corrugated container plant in Montreal, one of the Company's largest units in this field.

**Production and Consumption of Wood Pulp**  
in millions of short tons

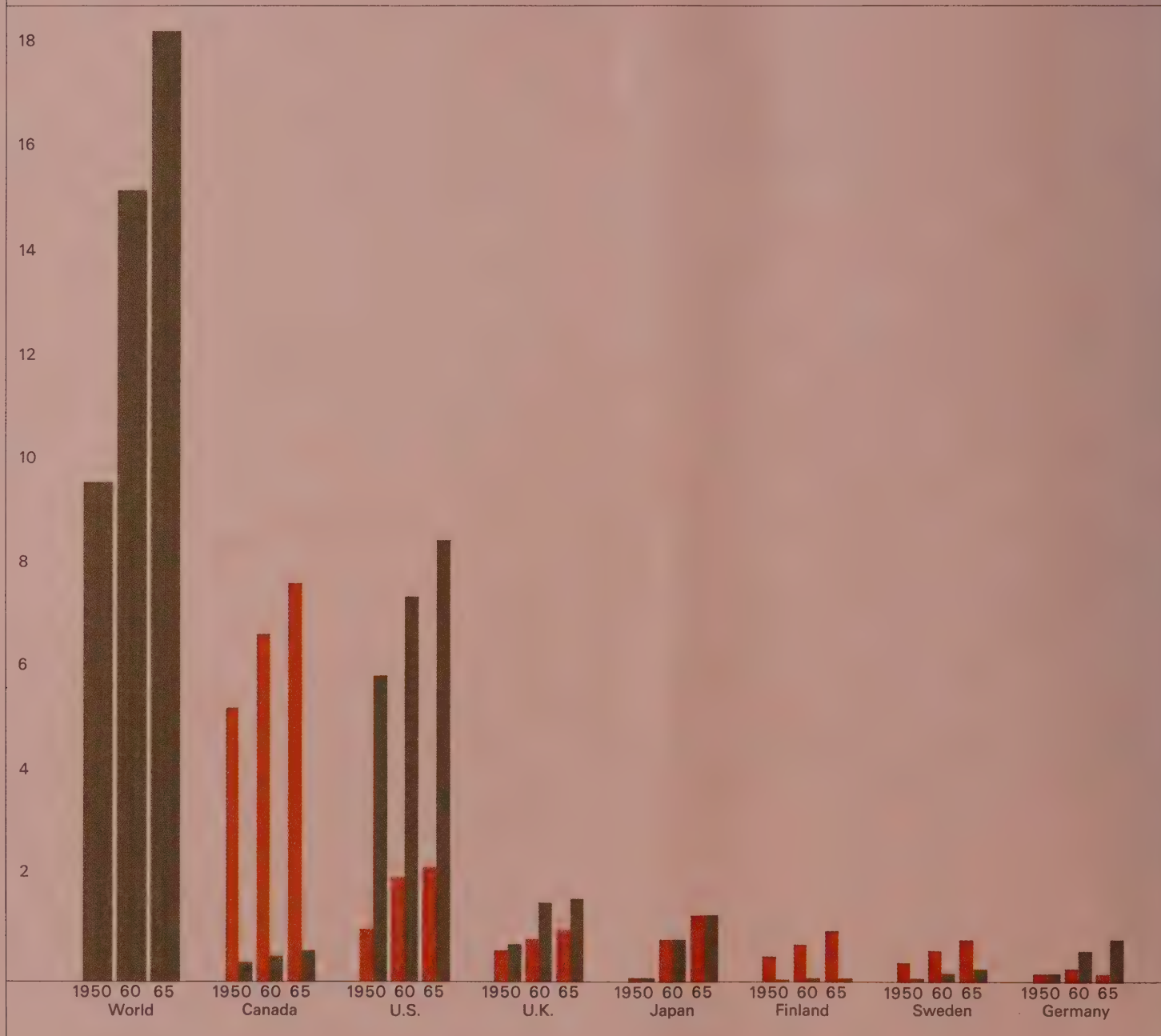
Source: Canadian Pulp and Paper Association





**Production and Consumption of Newsprint**  
in millions of short tons

Source : Canadian Pulp and Paper Association



Bag and wrapping paper distribution operations showed an increase in volume and profit.

In thermoformed polyethylene plastic materials, progress was made in the Canadian market and the new installation at Moorestown, N.J., will capitalize on opportunities for these materials in the United States packaging market.

## Pulp

Shipments of market pulp to customers were higher than in 1965. Selling prices remained firm and this trend has continued into 1967.

In 1966 the pulp mill at Windsor was modernized and converted from the production of unbleached softwood kraft pulp to the more profitable bleached hardwood kraft pulp.

Pulp and chemicals from Lebel-sur-Quévillon will be available in 1967.

## Woodlands

About half the Company's wood requirements of more than 2,000,000 cords was supplied from timber limits managed by the Woodlands Division. The balance was purchased from outside sources.

Domtar harvests many species of soft and hard woods from 24 forest areas that total more than 20,000 square miles.

## Overseas Fine Paper Mills

The fine paper operations in the United Kingdom were affected by unfavorable economic conditions and restrictive legislation. During the year Domtar established its own sales organization and this resulted in some additional costs.

Late in the year a new fine paper machine came into operation at the plant of Cellulosa d'Italia in Chieti, Italy, a company in which Domtar has a 49% interest. This machine will nearly double the mill's capacity when in full operation. A new coater will be in operation by mid-1967.

## Chemicals

The growth of the Chemicals Group continued and sales reached a new high.

## Household Products

A successful year by Domtar in the consumer products field in 1966 confirms the quality and convenience of the current line of nationally and regionally known products. Productivity showed an appreciable increase.

Vigorous competition has been met by improving the quality and packaging of present products to satisfy the ever-changing needs of the consumer. Expansion of plant facilities in Toronto is scheduled for 1967.

## Wood Preservation

A rising demand for poles, marine piling and lumber was coupled with a resurgence in the requirements of the major railways.

## Salt

The Salt Division expanded its distribution facilities. Additions to the hoisting capacity at the Goderich, Ont., mine and construction of new bulk handling equipment at the plant in Unity, Sask., are now under way.

The diversity of markets and the highly competitive climate call for continuous improvements in facilities and in specialized technical assistance to customers.

## Tar Derivatives

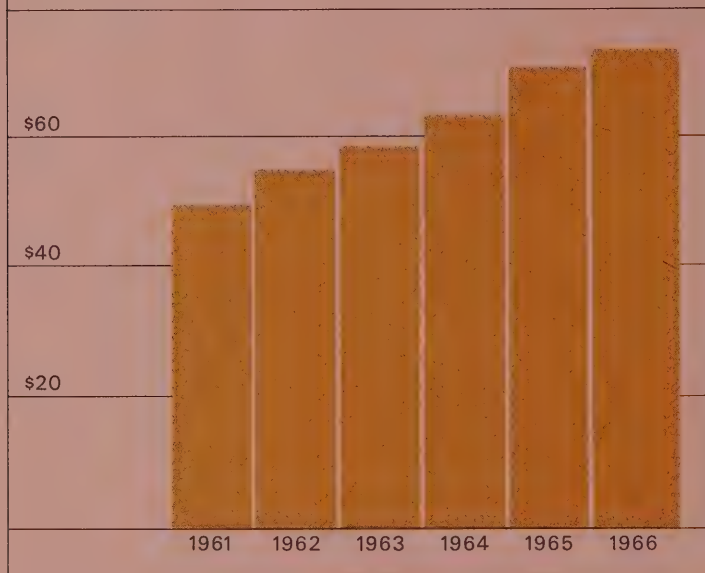
Tar products, creosote and phthalic anhydride were in steady demand throughout the year. A new naphthalene purification plant, based on technology developed by the Company, is nearing completion in Toronto. It will provide additional high quality material for the phthalic anhydride unit.

## Lime

The Lime Division maintained its share of the Canadian market. It increased its participation in the Pacific Northwest of



**Sales - Chemicals**  
in millions of dollars



the United States with material from the plant at Tacoma, Wash. Domtar's extensive limestone properties on Texada Island, B.C., are being further developed to supply a growing demand in both Canada and the United States.

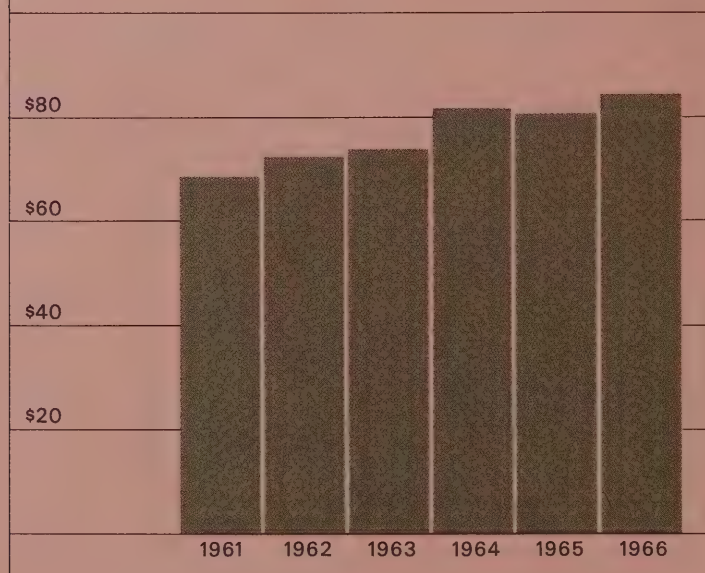
#### Detergents and Carboxel

Chemical Developments of Canada Limited, a 51% owned subsidiary, matched its previous performance in sales to the detergent, textile and pulp and paper industries. Noteworthy progress was made in the manufacture of biodegradable surfactants. A new laboratory is under construction at Longford Mills, Ont.

#### Metal Powders

New and improved products in powder metallurgy were developed and Domtar continued to be a major supplier to the weldrod industry in North America. Completion of the Ridgway plant will strengthen the competitive position in the United States and further gains in export markets are expected from Canadian production.

**Sales - Construction Materials**  
in millions of dollars



#### Construction Materials

The output of construction materials is heavily concentrated in the housing industry with products such as brick, gypsum, shingles and fibreboard in greater demand for single family units than for apartment construction. Despite the slowdown in residential housing starts, sales values were higher than in 1965.

#### Residential Construction

Due to the shortage of mortgage funds, residential construction starts in Canada in 1966 were down to an estimated 135,000 units, or approximately 30,000 units below 1965. A high proportion of this drop was in the apartment sector. The effect on sales of the decline in starts was offset by record completions since greater quantities of building materials produced by Domtar are used in the later stages of construction. Sales of gypsum, roofing and fibreboard showed moderate improvement over 1965 but brick deliveries were lower.

As the rate of family formation is increasing and since many antiquated houses in suburban centres must be replaced, the substantial drop in housing starts was critical. The offer of a \$500 bonus to buyers of homes during the last three winters was not repeated for the 1966-67 season. Steps to stimulate housing construction were announced by the Federal Government early in 1967. A greater volume of mortgage funds may be made available to accelerate residential construction starts.

**Lumber**

There is a steady and continuing market for high quality white and red pine in Canada and the United States for building trim finish and a wide variety of industrial uses. Sales of pine lumber were at record levels and were limited only by the ability to supply.

**Plastic Laminates**

The domestic sales of "Arborite" decorative and industrial plastic laminates showed an improvement over 1965 but export sales were down. The demand for "Arborite" in the United Kingdom dropped sharply due to prevailing economic conditions.

**Lightweight Concrete**

There were record sales of "Siporex" lightweight cellular concrete in 1966 and the product continued to make further market penetration in the construction field.

**Research and Development**

The year has been one of considerable advance in the many technologies of interest to Domtar. Much attention has been given to improving wood-harvesting techniques, wood chipping, pulping and fibre processing, paper finishing, paper converting and the recovery of valuable products from coal-tar, industrial minerals and the waste products of pulping operations. Intensive research is also being conducted in developing new types of metal powders, resins, plastics and construction materials.

Industrial applications of research included the introduction of the chipper-cantmaker and the axial feed waferizer. An interesting use of the chipper is in the form of a transportable combined debarker-chipper powered by a turbine engine, known as the "roadside chipper."

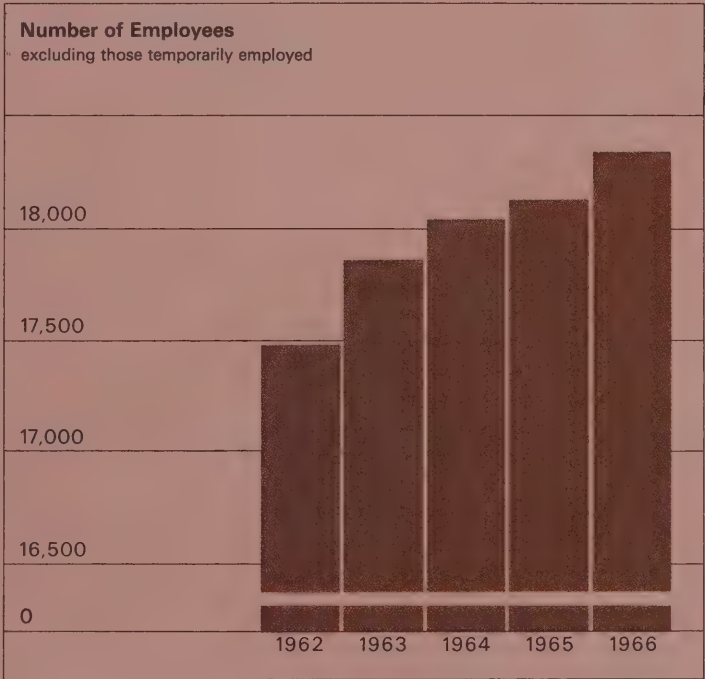
**Personnel and Labor Relations**

In certain sectors of the economy, Canadian wage levels rose significantly during the year. This was partly a result of the heavy pressure of demand on available resources and the keen competition for labor skilled in modern technology.

Generally, wage increases were in excess of gains in productivity. This is of particular importance for Canada's competitive position in international markets.

Full employment has caused considerable competition for the services of professionals, technicians and qualified and suitable specialists.

Increasing recognition continues to be given to training and development, including organized programs applying new sciences and behavioral techniques.





# Domtar Products

## Pulp and Paper

### Newsprint

Standard, offset, roto and colored newsprint, groundwood specialty printing paper, publication grade coated paper.

### Containerboard

Kraft linerboard, semi-chemical corrugating medium.

### Fine Papers

"Howard Smith" papers — fine, specialty and coated papers for the printing trades and business, including bond, ledger, lightweight and duplicating papers; book and writing papers; litho, offset and text papers; coated and boards; cover, blanks and blotting papers; papers for advertising; glassine, greaseproof and packaging papers; black line, blueprint, carbonizing, drawing papers, cigarette papers, banknote and safety cheque papers.

### Kraft Papers and Boxboard

Kraft papers, boxboard and roofing felt for conversion, packaging and wrapping and the consumer trades.

### Pulps

Bleached and unbleached softwood and hardwood sulphate pulp, semi-bleached softwood sulphate pulp; bleached and unbleached sulphite pulp.

### Kraft Wrapping and Converted Paper Products

"Bell-Kilgour" grocery bags, carry-out bags, shopping bags, specialty bags of all kinds, wrapping paper for both industrial and retail trades, counter rolls and sheets, gummed tapes, pressure sensitive tapes, sheathing and barrier papers, towels and tissue products.

### Folding Cartons

Folding cartons, paperboard packaging.

### Fibre Cans

Cylindrical and rectangular cans, liquid and dry food containers.

### Corrugated Containers

"Hinde and Dauch" shipping boxes, chipboard partitions and corrugated merchandising displays.

### Plastics

Bottles, containers and carriers, blow-moulded and injection moulded, sheet extrusion, thermoformed food containers and trays.

## Chemicals

### Household Products

"Javex" liquid bleach, "Javex" heavy duty dry bleach, "Javex" oxygen bleach, "Fleecy" fabric softener, "Gay" liquid detergent, "Glide" liquid laundry starch, "Glide" spray starch, "Flair" fabric finisher, "Flusho" toilet bowl cleaner, "Sinko" drain cleaner, "Corona" lye,

"Amex" liquid ammonia, "Atlas" sudsy ammonia, "Snowflake" ammonia powder, "Handy" ammonia powder, "Lawrason's" borax, "Tirpex" floor cleaner.

### Wood Preservation

"CCC" pressure-treated, fire-retardant-treated.

### Salt

"Sifto" salt for home, farm, industry and ice control.

### Tar Derivatives

"Domtar" coal tar pitches, tar acids, creosote, naphthalene and phthalic anhydride.

### Lime

"Domtar" limestone and pulverized limestone, hydrated lime, quicklime and crushed rock.

### Detergents and Carboxel

Synthetic detergents, wetting agents, detergent additives, sodium carboxymethylcellulose and emulsifiers, dyestuffs and pigments.

### Metal Powders

"Domtar" iron and iron alloy powders.

## Construction Materials

### Clay and Sand

"Domtar" burned clay brick, "Domtar" quarry tile, "Domtar" masonry mortar mixes, "Domtar" sand-lime brick.

### Fibre

"Cornwall" fibre conduit, "Domtar" asphalt shingles, "Domtar" built-up roofing materials, "Domtar" roll roofing and siding, "Domtar" sheathing papers and vapor barriers, "Donnacona" sheathing, panelling and roofboard, "No-Co-Rode" sewer and drainage pipe, "Domtar" ceiling tiles and grid panels.

### Gypsum

"Domtar" movable and fixed partitions, "Domtar" plasters, "Gyproc" lath, plank and wallboard, "Domtar" Vinyl-Kote wall panelling.

### Plastic Laminates

"Arborite" decorative laminates and adhesives, industrial paper cloth base and copperclad laminates, including tubes, rods and industrial impregnating.

### Lumber

Bonded pine, wholesale and specialized industrial lumber, pulpwood chips, "McFadden" air and kiln dried white and red pine and spruce lumber.

### Lightweight Concrete

"Siporex" lightweight cellular, "Haydite" lightweight aggregate precast.



Canada is now celebrating the centennial year of its Confederation. In the last 100 years it has grown from a small and struggling colony into one of the great trading nations of the world — a country of 20 million people occupying almost half a continent. And the future seems bright with promise.

Canadians are incredibly fortunate in the wealth of natural resources found within their borders. Some of these resources, like the forests, were developed early while others, such as coal and salt, had to await the growth of industry. Still others, sand and clay for example, required the substantial markets of dense populations before their development was commercially feasible.

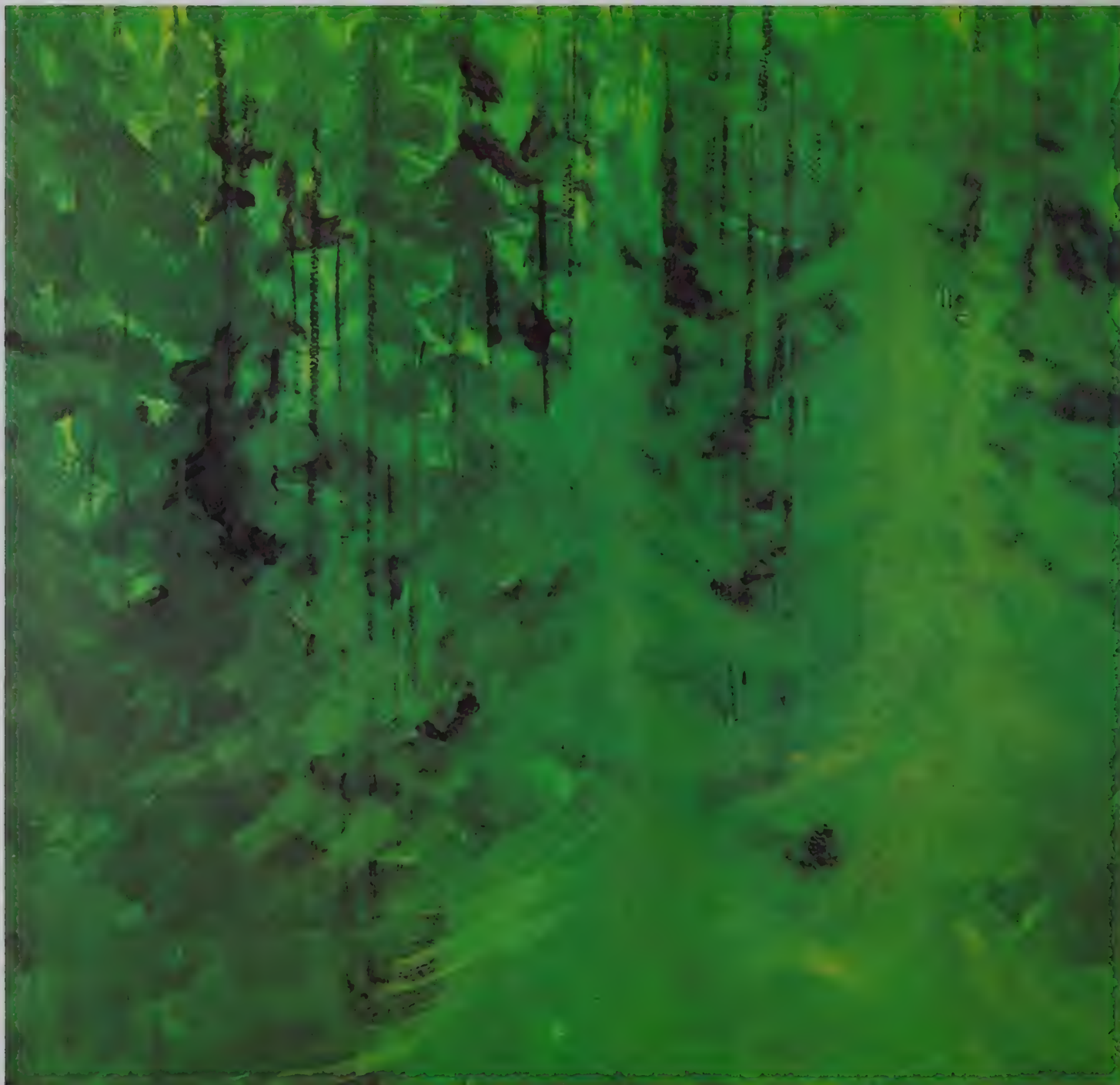
For many decades Canada was almost entirely an exporter of raw materials — timber, minerals and other natural products. With the growth of population, wealth and skills, the further processing of natural resources began and during the last generation the quantity, variety and complexity of manufactured goods produced in Canada has increased immensely. Today more than 1.8 million Canadians are employed in manufacturing industries.

Domtar depends upon Canada's abundant natural resources. But uncut forests, unquarried limestone and unmined salt, for example, are of no use by themselves. Capital, organization and technical skills are essential if these natural resources are to be

extracted, processed and finally sold in Canada and in international markets. The whole of Domtar — bondholders, shareholders and employees — is engaged in one way or another in the development and processing of the raw materials available to the Company.

Successful economic growth depends upon the well-balanced development of both human and natural resources. The technological complexities of modern industry require the services of many people with many different skills. Most of the specialized skills now used by Domtar employees were unknown a few decades ago. Today a modern company must be concerned with the even newer skills needed by its next generation of employees.





Domtar obtains wood from more than 20,000 square miles of forests. These woodlands are carefully controlled and protected from fire and pests and are kept healthy and vigorous by the harvesting of mature trees on a continuous yield basis. This ensures that the harvest and new growth are kept in proper balance for future use. In 1966, some 2,250,000 cords of wood were delivered to Domtar mills for processing, half from company woodlands and the balance purchased from outside sources.

1. Wood exposed to the vagaries of nature in such forms as telephone poles and railway ties is "CCC" pressure-treated by Domtar against decay and weathering. "CCC" timber for construction use is similarly treated with fire retardant.

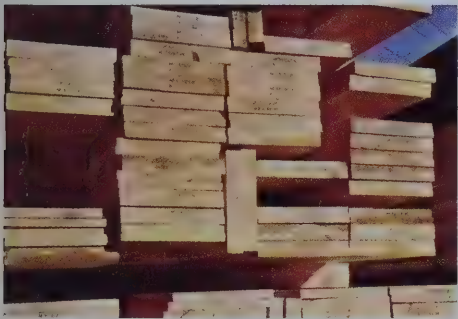
2. Domtar produces high quality "McFadden" white and red pine lumber for the exterior and interior trim and finish of homes and for a variety of industrial applications.

3. Wood fibre is the basic material in Domtar's "Cornwall" fibre conduit and "No-Co-Rode" sewer and drainage pipe. The conduit is used underground mainly to carry telephone and electrical cables, while "No-Co-Rode" is used chiefly for sewerage and in foundation and field drainage.

4. "Donnacona KB" Sheathing is made basically from wood fibres. This Domtar building material serves mainly as an insulator before the application of the exterior finish to



1



2



3



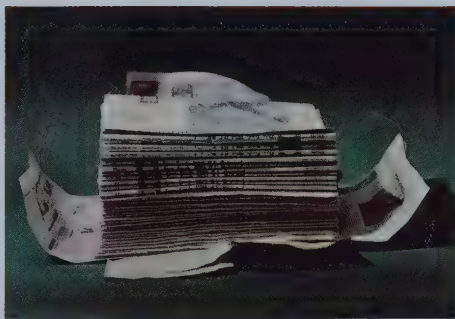
4



5



6



7



8

A multiplicity of products from the forest now form part of man's everyday life. This can be done without exhausting this natural resource only because good management guarantees the regeneration of the forest. There are at least 1,000,000 square miles of Canadian forests producing a continuous crop of usable trees. Wood is the raw material for many Domtar products, from pulp to plastic laminates.

Wood, as it comes from the forest neatly packaged in bark, consists largely of cellulose fibres cemented together with lignin. The natural cellulose fibres are separated to form pulp which is the major component of paper and paper products. While originally only spruce trees were used to produce pulp, ways later were found to make use of many more species, including hardwoods. This provides for more complete utilization of our forest resources.

Domtar research and development continues to find new uses for wood and new methods of harvesting the abundant resource.

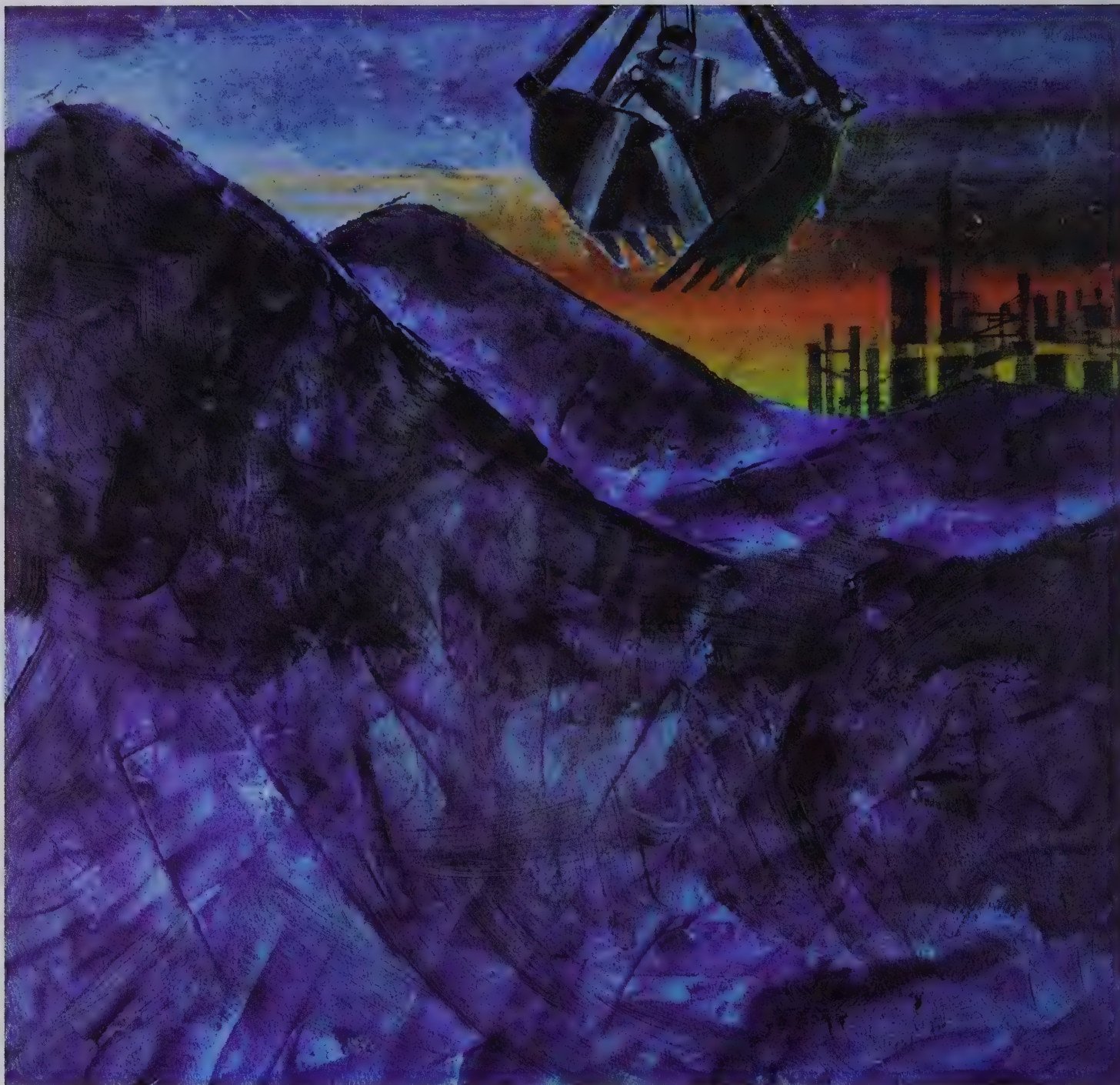
most modern homes. It gives added structural strength and greater resistance to weather. 5. "Arborite" is Domtar's decorative and almost indestructible plastic laminate. It is another product based on wood fibres and is used extensively in kitchen counter tops and cupboards and for furniture and equipment in the home, industry and institutions.

6. "Domtar" Decorator, Acoustic or Incombustible ceiling tiles, also based on wood fibres, come in a variety of colors, patterns and surface textures.

7. Newsprint, a major Canadian export bringing in large sums of foreign exchange, is a major Domtar product. Domtar newsprint and publication grade coated paper are used for daily and weekly newspapers, weekly rotogravure publications, news magazines and trade publications.

8. Domtar is the leading fine paper producer in Canada and the "Howard Smith" name is synonymous with the highest possible quality at home and in export markets. These Domtar fine papers range from writing and printing papers to the paper used for banknotes and modern packages.





Coal-tar and gas are the by-products which result from the roasting of bituminous coal to produce coke for the steel industry. Coal-tar is a complex product from which many organic chemicals can be separated including Domtar's phenol, tar acids, creosote, naphthalene and pitches. A high temperature chemical process converts naphthalene to Domtar phthalic anhydride.

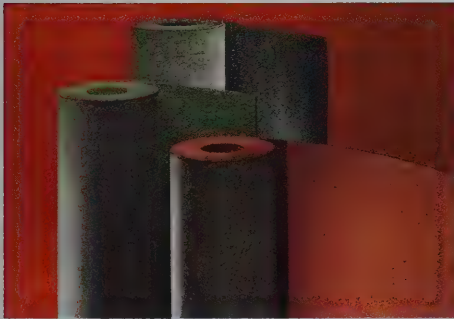
1. Domtar's phthalic anhydride is used in the manufacture of alkyd-resin paints, fibreglass and vinyl plastics.  
2. Built-up roofing is made by laminating layers of "Domtar" coal-tar saturated felts with "Domtar" hot pitch. It is normally used on flat roofs.

3. "Cornwall" conduit and "No-Co-Rode" sewer and drain pipe are made by impregnating a wood fibre core with "Domtar" coal-tar pitch. The pipe is moisture, rot and decay proof.  
4. "Arborite," Domtar's decorative and virtually indestructible plastic laminate, is best known for the contribution it makes to a beautiful kitchen, for counter tops, tables, cupboard





1



2



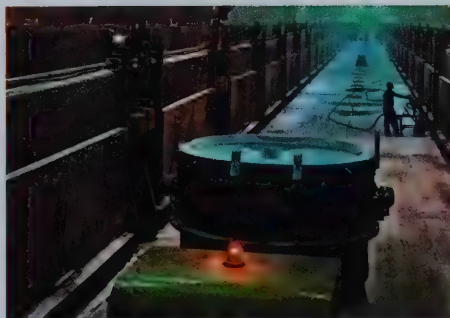
3



4



5



6

Domtar had its beginning in 1903 with the manufacture of coal-tar products using the by-product tar from the coke ovens of nearby steel mills. Manufacture of coal-tar products has expanded with the growth of Canada and forms an important part of the Domtar operation.

Coke, as made from coal, is an essential raw material in extracting iron from iron ore. Coal-tar, a black liquid, is a storehouse of organic chemicals in which the chemists have so far identified 348 separate compounds. Its complex composition is both a problem and a virtue to the coal-tar processor. Its complexity makes the extraction of pure chemicals difficult, but this complexity in the creosote component makes it extremely effective as a wood preservative, combating the myriad species of fungi and bacteria which cause decay.

By physical and chemical means coal-tar is separated into pure chemicals, solvents, creosote and coal-tar pitch. These products are seldom seen by the ultimate consumer, but are integral parts of or are consumed in the production of pressure-treated timber, waterproofing for construction, plastic film and sheeting, molded plastics, fibreglass, paints, varnishes, insecticides, aluminum and even clay pigeons.

facings and trim. "Arborite" is made by saturating kraft paper with a phenolic resin derived from phenol extracted from coal-tar.

5. Creosote, a complex coal-tar derivative, is one of the most economical yet effective substances used to protect wood against decay bacteria, fungi and marine borers. Some "CCC" wood is pressure-impregnated with creosote at nine Domtar plants across Canada.

6. Pitch is the residue after the volatile chemicals are extracted from coal-tar. One of the major uses of "Domtar" pitch is in the production of aluminum. The electrolytic furnaces – "pots" in which aluminum is produced – use pitch as a binder in the preparation of electrodes and pot linings. Pitch is used because it does not contaminate the molten raw aluminum and because it "cokes" and then conducts electricity under the heating effects of the furnace.





Salt is the deposit of ancient seas — crystalline sodium chloride. As salt, it has many uses: as a seasoning, for snow and ice control and for chemical manufacturing. Chlorine and caustic soda, produced from salt by electrolytic breakdown, are widely used basic chemicals and essential constituents of bleaches and many cleansers.

**1.** "Sifto" salt is one of Domtar's best known household products, for the table, for cooking and preserving and for snow and ice control.

**2.** Today, more than ever before, good road communications are essential and traffic must be kept moving throughout the year. In Canada particularly, ice and snow can be the major cause of winter disruptions in road traffic. "Sifto" salt for snow and ice control performs the essential

service of keeping the roads open in spite of the weather.

**3.** Some Domtar "CCC" wood is impregnated with pentachlorophenol, which has chlorine as one of its elements. Pentachlorophenol is used as a preservative for "CCC" telephone poles, farm and industrial construction materials.

**4.** The whiteness of "Howard Smith" fine papers is obtained by the bleaching action of chlorine and chlorine dioxide on wood pulp.



1



2



3



4



5



6

When the seas which once covered the central part of North America gradually dried up they left their salts behind in enormous beds, hundreds of feet thick. At Goderich, Ont., Domtar mines salt by conventional mining methods and also by solution mining, i.e., water is pumped from the surface into the salt bed where it dissolves the salt. The resulting brine is returned to the surface where it is evaporated to recover the dissolved salt. Domtar also carries out solution mining at Amherst, N.S., and Unity, Sask.

Salt is an important industrial chemical. When an electric current is passed through a solution of salt, the sodium and chlorine are separated. The chlorine is a component in most bleaches, either used as a pure gas or in a compound such as sodium hypochlorite. The sodium, as caustic soda, has many industrial uses, from the production of paper to detergents.

The new Domtar bleached kraft pulp mill at Lebel-sur-Quévillon has its own fully integrated chemical plant producing chlorine, caustic soda and sodium chlorate from salt. 5. A perennial favorite with housewives, "Javex" liquid and dry bleach and disinfectant has become a household word across Canada, in the Caribbean and as far afield as Malaysia and New Zealand. It is produced at

seven Domtar plants in Canada as well as in Kingston, Jamaica. The active ingredient, sodium hypochlorite, comes from reacting caustic sodium and chlorine. 6. Chlorine is a major component of vinyl-resin used in the manufacture of "Domtar" Vinyl-Kote wallboard for office partitions and interior home panelling.





A large part of the world's fresh water lies in Canada and at one stage or another, it is involved in the life of almost every Domtar product: as rain to grow forests, as rivers to carry freight, as steam, as a coolant, as a wash, as a solvent, as a mixer.

1. The famous "Gyproc" wall and ceiling panels produced by Domtar contain water which is first removed from the mined gypsum and then re-added in production to restore the gypsum to its rock-like state.

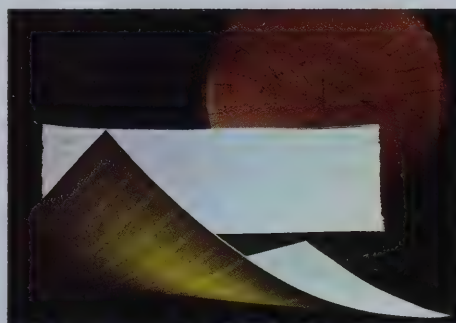
2. The active ingredients of many Domtar consumer products are dissolved in water. "Javex" liquid and dry bleach, "Fleecy" fabric softener, "Glide" liquid and spray laundry starch, "Flair" fabric finisher and "Gay" lotion for dishes are a few of the large variety of Domtar products for the home.



1



4



5



2



6



3



7

3, 4, 5, 6, 7. Domtar's new bleached kraft pulp mill at Lebel-sur-Quévillon in northwestern Quebec — where all pulpwood is transported by road — has a 52-inch wood stave water line for the hundreds of thousands of gallons required daily in its production. "Domtar" newsprint and "Howard Smith" fine papers require millions of gallons of water. Domtar kraft

papers go into the Company's "Bell-Kilgour" wrapping papers and bags which come in all sizes, colors and shapes. Domtar uses its containerboard to manufacture corrugated boxes and its other well-known "Hinde and Dauch" packaging products.

The importance of abundant fresh water to Canada's economy cannot be over-emphasized. More than 290,000 square miles of Canada is covered with rivers and lakes. These rivers and lakes have played a great role in Canada's history.

In the early days they were avenues for exploration, settlement and transportation. These functions now are of less importance, except for the mighty St. Lawrence Seaway system, but the rivers and lakes have assumed other essential roles for industry and recreation.

Domtar could not operate without water. Power, both electrical and hydraulic, is a major requirement in the production of pulp and paper. Water is used in the extraction of salt, as a solvent and wash for a wide variety of chemicals, as a chemical itself to be reacted with cement, lime and gypsum to form building materials, as a cooling and heating medium. Forests themselves depend upon an abundant rainfall.





Clay is unique in being both plastic and refractory : easily molded into many shapes, after firing becoming hard, waterproof and resistant to heat and corrosion. Despite recent scientific advancements, working with clay remains a high art and a precious industrial asset.





1



2



3



4

1. This modern family room illustrates the beauty of "Domtar" burned clay brick for the fireplace and quarry tile for flooring. They remain unequalled for beauty and durability as building materials.

2. "Haydite" lightweight aggregate is a Domtar product used to manufacture lightweight masonry units for construction.

3. An essential ingredient in "Howard Smith" fine papers is China clay. Clay acts as a filler and coating, giving bulk and opacity to the paper and providing a smooth, hard printing surface.

4. Domtar's output of pulp and paper products includes "Domtar" coated boxboard, used by Domtar to produce folding cartons for the packaging of ice cream, cereals, frozen foods and many other household products.

Clay is the ultimate product of the weathering of rocks and after firing is highly resistant to any further weathering action. Because of this, clay products are ideal covering materials for buildings.

"Domtar" burned clay bricks are made from shale with clay added as a plasticizer. Clay differs from shale only in physical properties, being soft and plastic while shale is hard and rock-like.

The clay minerals exist in minute particles, ranging from 1/16 of a millimetre down to microscopic sizes. These particles are the result of disintegration by weathering of certain types of rocks. The particles of clay were transported by various natural agents and deposited as sediment on the beds of ancient inland seas that covered the North American continent during many successive geological periods.

Shale developed from the original clay sediment by compaction as the weight of the overlying strata squeezed out the trapped water and reduced the original porous base, leaving a hard dense material. Shale is a complex mixture of stable chemical compounds and has a natural combination of minerals enabling Domtar to manufacture brick of most desirable properties.

During firing, clays develop different colors and shades depending upon additives and impurities. Domtar's deposit at Cooksville, Ont., is one of the older shales, dating back nearly 500 million years.





Sand used by Domtar is composed mainly of waterwashed particles of granite deposited at the end of the glacial age. Domtar is fortunate in having such abundant and clean deposits of a sand whose granitic character gives unmatched durability to building materials.

1. "Domtar" shingles for the roof of the modern home come in various harmonious colors for co-ordination with other exterior finishes. Rock particles are ceramically colored and imbedded into the shingles.



The contours of the earth, its mountains, rivers and valleys have undergone a continual change over millions of years through the geological cycles of erosion. The process of erosion – by the mechanical action of wind, sea, frost, ice and day and night expansion and shrinkage; by the chemical action of rainwater and dissolved salts and gasses – creates sand and fragments of rock. The action of wind and running water sorts these fragments by size and weight until eventually pure beds of sand result.

Domtar sand comes mainly from southern Quebec where it was deposited during the ice age. This sand is of high quality, with a high silica content.



2. "Siporex," the lightweight cellular concrete manufactured by Domtar, contains sand like many other concretes. The sand provides most of the physical mass of the concrete and reacts chemically with the cement which binds the grains together. Self-insulating "Siporex" is finding wide use in the construction of manufacturing plants, both for walls and roof decking.

3. "Domtar" white sand-lime brick is favored when a desired architectural effect for a modern home requires a white exterior finish or interior decoration. A chemical reaction between the lime and silica used in producing the brick forms a rock-like mass.

4. Domtar uses sand as a parting agent on its asphalt roofing products.





Like salt, limestone is a gift of pre-historic seas. This natural resource is used both as stone and to make lime. As stone it is a component of cement aggregate; it is used in other building materials, in the sulphite pulp process and in agriculture. Limestone is roasted to lime for chemical applications in kraft pulp production, for use in building materials, and as a slagging agent in the steel industry.

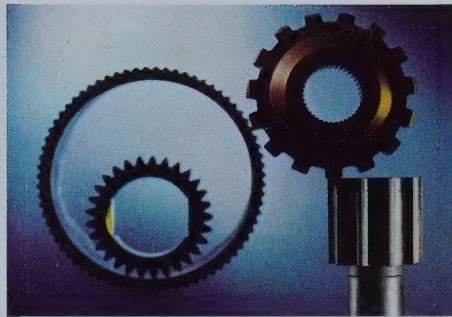
**1.** "Domtar" limestone is an economical and effective resource used in building materials and in chemical wood pulps.  
**2.** The lime and shale used in the manufacture of "Domtar" burned clay brick enhance the exterior finish and interior appearance of modern homes.

**3.** Limestone is added to the asphalt used in "Domtar" roofing shingles to protect the asphalt against sunlight.  
**4.** Limestone and lime are used as slagging agents in the production of ferrous products some of which Domtar converts into iron powders. These iron and other "Domtar" metal powders are being increasingly widely used to form gears and other intricate metal pieces in products ranging from automobiles to television sets.





1



4

Calcium carbonate collected in thick deposits on the beds of pre-historic seas as a result of the biological actions of corals, algae and shell fish. Pressure from movements of the earth's crust and from overlying layers of material consolidated these deposits into solid rock. In some cases magnesium in the sea water reacted with the calcium carbonate to replace half the calcium to form dolomitic limestone. These limestones were deposited between 250 and 500 million years ago.

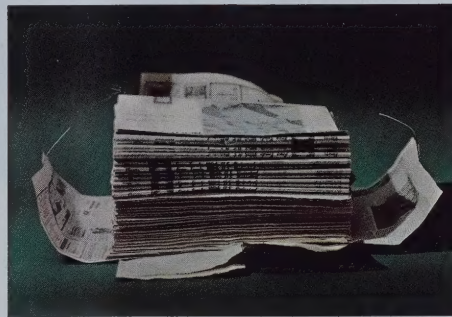


2



5

Domtar mines high calcium limestone deposits at Joliette, Que., Beachville, Ont. and Blubber Bay, B.C., and has a dolomitic limestone quarry at Hespeler, Ont. Open-pit mining or quarrying is used at these locations. Earth is stripped off the top of the stone. A section of the deposit is drilled and blasted and the broken stone is hauled to a plant where it is crushed and screened to sizes ranging from six inches in diameter to powder. Limestone is decomposed in kilns at high temperature to produce quicklime – the form of lime most in demand. Hydrated or slaked lime is produced by reacting quicklime with water.



6



3

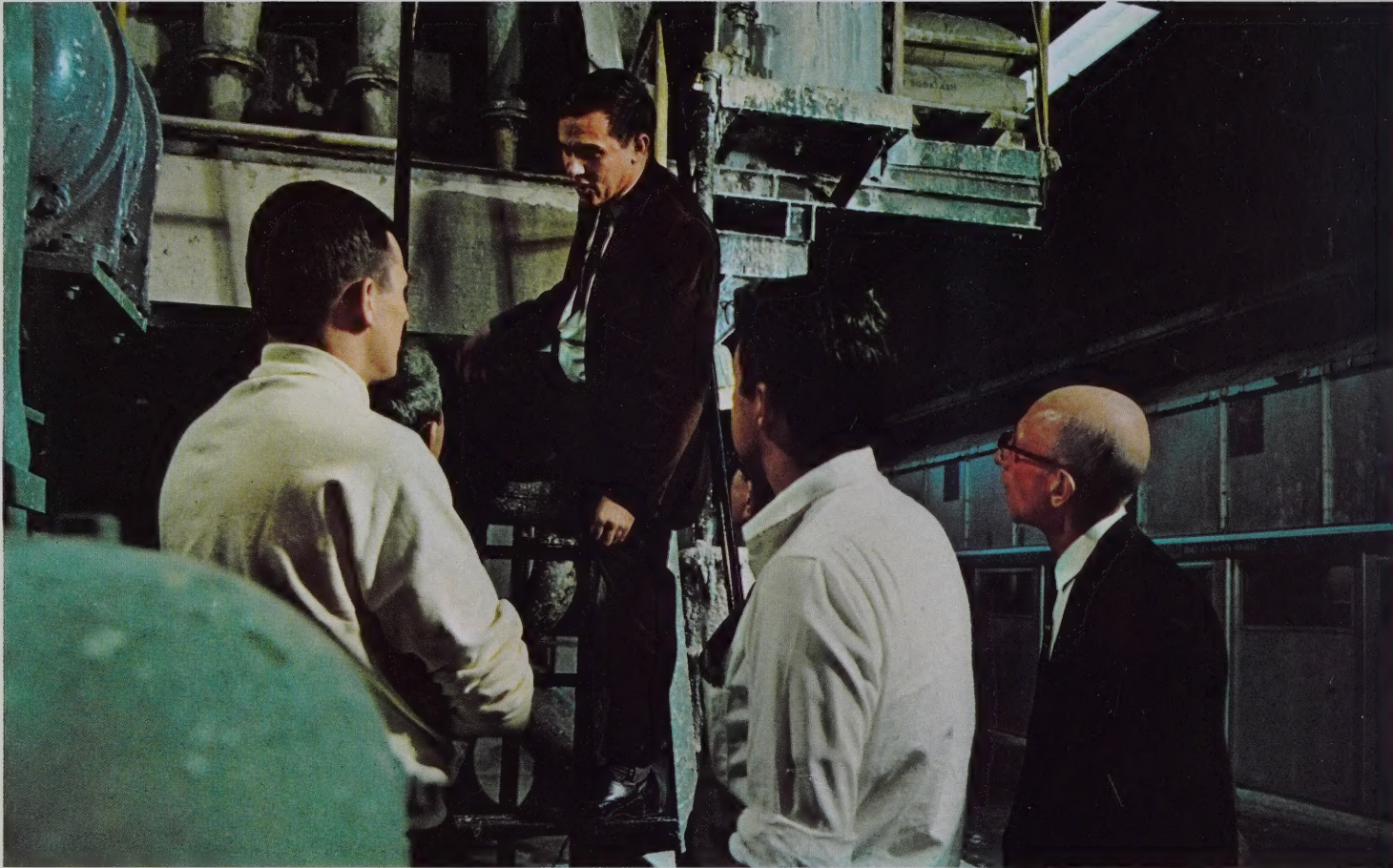
5. "Siporex" lightweight cellular concrete, containing lime, combines lightness and ease of handling with the durability of concrete. Large quantities of "Siporex" have been used in the construction of pavilions at Canada's Expo 67 in Montreal.



7

6. Domtar newsprint mills use limestone in the manufacture of their sulphite pulp.  
7. Lime is used to regenerate pulp cooking chemicals at Domtar mills producing the renowned "Howard Smith" fine papers.





1



2



3



4

Humans are still the most important resource for any company. Without trained manpower the natural resources would remain where they are. Changing production and management skills and safety require carefully planned training and development. Courses and on-the-job training are used by Domtar to provide new knowledge to its employees, increasing productivity and improving safety measures.

1. On-the-job training is being given at Domtar's boardmill at East Angus, required because of modifications to the boxboard machine. Crews and supervisory staff are being given a course on current theory and operations.

2. Sales training program in session at Domtar. Building methods and materials change so rapidly today that product knowledge refresher courses must be held regularly.

3. Discussion during a management training course. Individuals, from supervisor to president, attend courses to improve existing management skills and to learn and develop new ones.

4. A new segment of Domtar's safety program is audiometry. Regular testing of employees' hearing is an important part of Domtar's safety program.



Cover printed on  
Domtar "Howard Smith" Carlyle Japan, plate finish, Britewhite, 306M

Pages 1a to 12a printed on  
Domtar "Howard Smith" Carlyle Japan, plate finish, Britewhite, 175M

Pages 1b to 8b printed on  
Domtar "Howard Smith" Byronic Text, Egyptian Red, Wove, 153M

Pages 1c to 16c printed on  
Domtar "Howard Smith" Luxagloss Offset Enamel, 160M

Printed in Canada



**DOMTAR**